

EMPLOYMENT GAINS CONTINUE FOR FIFTH STRAIGHT MONTH

KEY ECONOMIC STATISTICS

REAL GDP GROWTH

↑3.0%

Q1 2010, Second estimate

UNEMPLOYMENT RATE

9.7% ↓0.2 ppts

May 2010

PAYROLL EMPLOYMENT

↑431,000

May 2010

ISM MANUFACTURING INDEX

59.7 ↓0.7 pts

May 2010

ISM NON-MANUFACTURING INDEX

55.4 unchanged

May 2010

FACTORY ORDERS

+1.2%

April 2010

NEW DURABLE GOODS ORDERS

+2.8%

April 2010

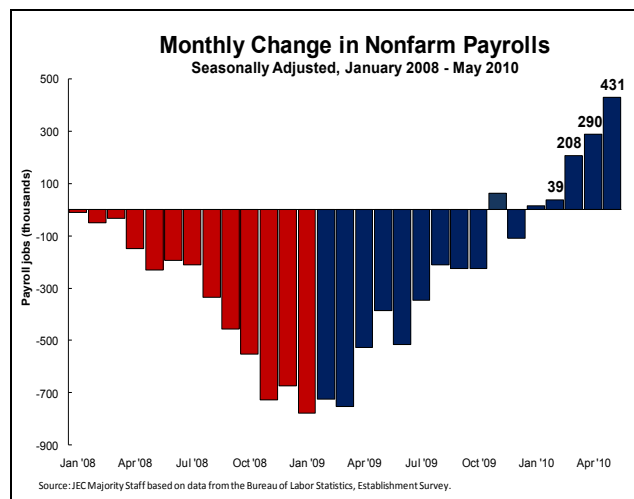
THIS WEEK

Monday, June 7
Consumer Credit
April 2010

Friday, June 11
Advanced Retail Sales
May 2010

Payrolls are boosted by Census hiring. The Bureau of Labor Statistics (BLS) reported that

the number of employees on nonfarm payrolls increased by 431,000 in May, though the bulk of the increase, (411,000 jobs) was due to hiring of temporary workers for Census 2010. (See Chart) May is traditionally the peak month for Census hiring, and last month's gains were in line with the increase of 348,000 Census workers in May 2000. Small declines in state and local government payrolls (-15,000 and -7,000 respectively) in May offset a fraction of the Census hiring by the Federal government.



Private sector employers added 41,000 employees last month, leaving private payrolls little changed over the month. Private payrolls have expanded by 495,000 since December 2009. Despite the small change, several key sectors hired in May. Employers in the manufacturing industry added jobs (+29,000) for the fifth consecutive month, bringing gains so far in 2010 to 126,000 jobs. Prior to 2010, the sector had been shedding jobs since mid-2006. Temporary help services continued to add jobs (+31,000). The industry, which is often seen as an indicator of employers' future hiring plans, has added 362,000 jobs since September 2009. Job gains in manufacturing and temporary help services were partially offset by losses in construction (-35,000). Construction employers had added jobs in the two months prior to May. While private payroll growth was slower than expected, job growth is especially volatile in the early months of a recovery, so May's employment report remains consistent with an improving labor market.

Unemployment edged down in May. The unemployment rate returned to 9.7 percent in May, following April's bump up to 9.9 percent according to BLS's May Employment Situation released last Friday. Notwithstanding April's uptick, the unemployment rate has held constant at 9.7 percent in the first five months of 2010. The jobless rate is 0.4 percentage points below its peak of 10.1 percent reached in October 2009, but well above the pre-recession rate of 5.0 percent. The number Americans looking for work fell slightly (-287,000) to just under 15 million in May. A 0.2 percentage point drop in the labor force participation rate offset April's 0.3 percentage point spike and also contributed to the drop in the unemployment rate. However, unemployment remains stubbornly high, as does the share of the unemployed who have been out of work for at least 27 weeks. These so called long-term unemployed were 46.0 percent of the total unemployed last month.

Signs point to continued economic expansion. The Manufacturing ISM Report on Business released last week showed that economic activity within the sector expanded for the tenth consecutive month. The rate of growth slowed down slightly from April, but increasing new orders and expanding production continue to fuel hiring among manufacturing firms, as evidenced in the BLS employment report. Earlier, the Census Bureau reported that new orders for manufactured durable goods rose 2.8 percent in April. New orders for all manufactured goods have increased in twelve of the past thirteen months, suggesting the manufacturing sector will continue to grow as firms move to fulfill those orders.